

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 SS-15 NSC-05

L-03 /062 W

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P R 051549Z SEP 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 2819

INFO AMEMBASSY LONDON

AMEMBASSY BONN

AMEMBASSY MADRID

USMISSION EC BRUSSELS

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E.O. 11652

TAGS: EAIR, EIND, TECH, US, FR

SUBJECT: CIVAIR: US FRENCH AEROSPACE COOPERATION

REF: PARIS A-347 (NOTAL)

1. SUMMARY--THIS TEL UPDATES PRIOR CAVAILLE VISIT REPAIR REPORT ON US-FRENCH AEROSPACE COOPERATION. NO GOF DECISION YET ON DEVELOPMENT NEW CIVIL TRANSPORT AIRCRAFT OR ON AIR FRANCE FLEET RENEWAL. GOF AND BOEING ARE FORMING JOINT STUDY GROUP TO EXPLORE POSSIBLE JOINT VENTURES; GOF DELEGATION HAS JUST VISITED DOUGLAS; LOCKHEED IS CONDUCTING TECHNICAL STUDY OF MERCURE 200. GE WON OUT OVER PRATT AND WHITNEY FOR ENGINES OF NEW 747 FOR AIR FRANCE IN FIRST AND INCONCLUSIVE TEST OF GOF'S NEW OFFSET POLICY. IBERIA DC9/AIRBUS FLAP WAS GOF-INSTIGATED AT GOVT-TO-GOVT LEVEL. END SUMMARY.

2. FOLLOWING UPDATING OF REPAIR MAY BE USEFUL IN LIMITED OFFICIAL USE

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CONNECTION WASHINGTON VISIT NEXT WEEK BY SECSTATE OF

TRANSPORTATION CAVAILLE.

3. INTER-MINISTERIAL COMMITTEE FINALLY MET IN AUGUST ON QUESTION OF AIR FRANCE FLEET RENEWAL AND POSSIBLE FRENCH DEVELOPMENT OF NEW CIVIL TRANSPORT AIRCRAFT BUT REACHED NO DECISIONS. CAVAILLE'S CABINET TELLS US NO FURTHER MEETING IS CURRENTLY SCHEDULED, WHICH SUGGESTS THAT ANY DECISIONS ARE NOT FOR THE NEAR FUTURE. CAVAILLE HAS WRITTEN TO BRITISH AND GERMAN TRANSPORT MINISTERS PROPOSING EARLY MEETING TO DISCUSS POSSIBLE JOINT DEVELOPMENT OF NEW CIVIL AIRCRAFT IN LINE WITH PRIME MINISTER CHIRAC PROPOSAL OF LAST JUNE FOR MORE EUROPEAN COOPERATION IN THIS AREA, BUT PRESS REPORTS CONSTRUCTORS IN OTHER EUROPEAN COUNTRIES ARE COOL TO THE IDEA.

4. AS RESULT TALKS INITIATED WITH GOF DURING PARIS AIR SHOW, BOEING AND GOF HAVE AGREED SET UP JOINT STUDY GROUP TO EXAMINE, SO BOEING TELLS US, FULL RANGE OF POSSIBILITIES FOR JOINT VENTURES. FIRST MEETING WILL BE HELD PARIS OCT. 6 ATTENDED BY BOEING PRESIDENT BOULLION AND VICE-PRESIDENT-INTERNATIONAL THORNTON. GOF HAS INDICATED IT WILL SELECT FRENCH INDUSTRY PARTICIPANTS. BOEING HAS SERVED NOTICE ON GOF IT CANNOT ENTER INTO ANY 50-50 VENTURE A LA GE-SNECMA, BUT THAT FOR ANY PROJECT EITHER BOEING OR GOF WOULD HAVE TO BE IN FULL CONTROL. BOEING SUSPECTS THAT GOF'S MAIN AIM MAY BE TO TRY TO DIVIDE UP THE MARKET BY GETTING BOEING TO DESIST FROM DEVELOPING OR MARKETING AIRCRAFT THAT WOULD COMPETE WITH FRENCH PRODUCTION. (LATEST ISSUE OF AIR ET COSMOS, FOR EXAMPLE, SEES BOEING DECISION DROP DEVELOPMENT OF STRETCHED 727 AS CERTAIN TO HELP AIRBUS SALES AS WELL AS LEAVE MARKET FOR MERCURE 200). CHIEF POINT OF CONTACT IN GOF FOR BOEING THIS SUBJECT HAS BEEN CLAUDE ABRAHAM, DIRECTOR OF AIR TRANSPORT AT SGAC, WHO WILL BE IN CAVAILLE PARTY FOR US VISIT.

5. FRENCH DELEGATION COMPOSED OF REPS FROM AEROSPATIALE, DASSAULT AND SGAC VISITED MCDONNELL DOUGLAS FOR TALKS LAST WEEK. WE UNDERSTAND FRENCH AIM WAS TO TRY TO SECURE AGREEMENT FOR ESTABLISHMENT SAME KIND OF JOINT LIMITED OFFICIAL USE

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STUDY GROUP AS IS BEING FORMED WITH BOEING.

6. WHILE LOCKHEED TEAM HAS NOT YET VISITED PARIS FOR FOLLOW-UP TALKS WITH GOF, LOCKHEED REPS HAVE BEEN TALKING WITH AIR INTER AND WITH CFM INTERNATIONAL. LOCAL REP TELLS US THAT LOCKHEED DOES HAVE TEAM AT WORK IN BURBANK STUDYING TECHNOLOGY OF MERCURE 100 AIRFRAME TO ASSESS TECHNICAL PROBLEMS OF DEVELOPING MERCURE 200 DERIVATIVE,

CONDUCTING MARKET SURVEY TO DETERMINE WHETHER THERE  
MIGHT BE DEMAND FOR MERCURE 200 IN US, AND ALSO  
DETERMINING HOW MERCURE 200 MIGHT FIT INTO LOCKHEED'S  
OWN PROGRAM (I.E., WHETHER IT WOULD BE IN LOCKHEED'S  
INTEREST TO HELP MARKET THE AIRCRAFT OR TO HELP PRODUCE  
OR EVEN ASSEMBLE IT). LOCKHEED HOPES BE ABLE PRESENT ITS  
CONCLUSIONS TO CAVAILLE DURING HIS VISIT TO LOCKHEED SEP.

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15. (AIR ET COSMOS REPORTS THAT AT GOF REQUEST DASSAULT  
CONTINUES ACTIVELY STUDY POSSIBLE DEVELOPMENT OF CFM-56  
POWERED MERCURE 200.)

7. BOEING TELLS US THAT BRIEFINGS CONDUCTED JOINTLY  
WITH GE AND SNECMA OF US AND EUROPEAN CARRIERS  
INDICATED THAT THERE MIGHT BE DEMAND FOR NO  
MORE THAN 125 CFM-56 POWERED 707'S. THESE WOULD BE

NEW AIRCRAFT THOUGH SOME LATE MODEL 707'S COULD BE RE-ENGINEED. AMONG EUROPEAN CARRIERS LUFTHANSA SEEMS MOST INTERESTED. BOEING REP SAID BOEING DOES NOT CONSIDER PROGRAM OF THIS MAGNITUDE AS VERY IMPORTANT, THOUGH FRENCH MIGHT HAVE DIFFERENT SCALE OF VALUES AND THINK OTHERWISE.

8. GE HAS WON OUT OVER PRATT AND WHITNEY TO SUPPLY ENGINES FOR NEW 747 ALL-CARGO AIRCRAFT JUST ORDERED LIMITED OFFICIAL USE

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BY AIR FRANCE. THIS WAS FIRST TEST OF GOF'S NEW OFFSET POLICY. PRATT AND WHITNEY APPARENTLY SCOUTED FRENCH PROVINCES AND DISCOVERED THEY COULD PUT TOGETHER AN IMPRESSIVE OFFSET PACKAGE USING SMALL FRENCH SUPPLIERS, BUT BOEING TELLS US THAT CHOICE OF GE WAS PURELY POLITICAL DECISION BY GOF--AND NOT BY AIR FRANCE--TO GIVE BUSINESS TO SNECMA PARTNER IN CFM-56 PROJECT. GE AND SNECMA PRESIDENT RAVAUD APPARENTLY BROUGHT MUCH PRESSURE TO BEAR TO INFLUENCE OUTCOME. FACT THAT SAME GE ENGINE (CF-6-50) IS ALSO MOUNTED ON AIRBUS AND SNECMA MANUFACTURES 25 PERCENT OF THE COMPONENTS WAS PROBABLY ALSO A FACTOR. ON THE SUBJECT OF OFFSET, BOEING REP TELLS US ABRAHAM HAS CLAIMED THAT OFFSET EXCLUDES SUBCONTRACTING AWARDED ON LOW BID BASIS AND COUNTS ONLY WHEN IT "HURTS" COSTWISE. BOEING REP INFORMED ABRAHAM THAT BOEING WAS NOT ABOUT TO JEOPARDIZE ITS COST EFFICIENCY AND WORLDWIDE MARKETS SIMPLY IN ORDER TO BE ABLE TO SELL AIRCRAFT IN FRANCE. WE ASSUME THAT IN THE COMING MONTHS GOF'S OFFSET POLICY WILL THEREFORE BE REFINED AND SPELLED OUT A BIT MORE PRECISELY, ESPECIALLY AS THERE HAS BEEN NO PUBLIC STATEMENT OF THIS POLICY OF WHICH WE ARE AWARE.

9. BOEING REP ALSO MENTIONED RECENT FLURRY OF INTEREST IN POSSIBLE IBERIA TRANSFER OF DC-9'S TO AIR FRANCE IN EXCHANGE FOR PURCHASE OF AIRBUSES. (MADRID 5345, PARIS 21189.) HE CONFIRMED THAT THIS HAD BEEN DEFINITELY BROACHED BY FRENCH, BUT AT GOVERNMENT TO GOVERNMENT LEVEL UNBEKNOWNST TO IBERIA UNTIL THE CARRIER WAS TIPPED OFF BY BOEING. THE DEAL HAS NOW BEEN QUEERED, HE SAID, WITH IBERIA'S PUBLIC REITERATION OF ITS LACK OF INTEREST IN AIRBUS. RUSH

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CIVIL AVIATION, AEROSPACE INDUSTRY, AIRCRAFT, JOINT VENTURES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 SEP 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975PARIS22811  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750307-0899  
**From:** PARIS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750979/aaaacsiv.tel  
**Line Count:** 218  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 PARIS A-347  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 21 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <21 APR 2003 by BoyleJA>; APPROVED <22 APR 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CIVAIR: US FRENCH AEROSPACE COOPERATION  
**TAGS:** EAIR, EIND, TECH, US, FR, BOEING, GENERAL ELECTRIC, MCDONNELL DOUGLAS, LOCKHEED, SNECMA  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006